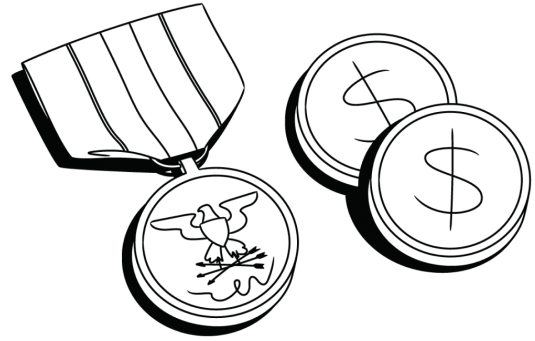


FINANCIAL TIPS FOR SERVICE MEMBERS

Develop Financial Goals

- Written financial goals help keep you focused, help you prioritize needs, and provide tool to measure progress and keep on track
- Goals must be Specific, Measurable, Attainable, Realistic, and Time-bound, e.g., save \$10,000 for down payment on home by (date) by saving \$500/month
- Include short term (< 3 years), medium (3-10 years), and long term (> 10 years) goals; e.g., short term: pay off a credit card, establish emergency fund; medium: save for car or home, become debt free; long term: save for retirement, pay off mortgage



Create Budget And Control Expenses

- A budget allows you to monitor progress on financial goals and stick to financial plan
- List, categorize (essentials/discretionary), prioritize, reduce expenses
- Use 50-30-20 rule of budgeting as guide
 - 50% for essentials/"needs" (groceries, housing, utilities, transportation, etc.)
 - 30% for discretionary/lifestyle choices/ "wants" (meals out, entertainment, shopping, etc.)
 - 20% for insurance, savings and investments
- Track and update annually at minimum, but also when there is a significant life or career change—promotion, PCS, deployment, etc.

Develop And Implement Financial Plan

- Financial plan needed to achieve financial goals; provides map indicating where you want to be, by when, and how to get there
- Match and track assets and liabilities
- Review and update insurance needs, important documents, beneficiaries

Manage Credit

- Review Credit Report at least annually
- Free annual credit report: AnnualCreditReport.com
- Free credit score: www.equifax.com; www.experian.com; www.transunion.com
- Keep credit utilization ratio (amount of credit used divided by credit limit) below 30%
- Pay off entire balance on credit cards monthly
- Set up automatic payments through service providers directly or via bank's online bill-pay

Eliminate Or Reduce Debt

- Debt creates significant obstacle in achieving financial goals
- Live below your means; don't try to maintain a lifestyle you can't afford

- Never borrow or owe more than 20% of net annual income; monthly debt payments shouldn't exceed 10% of net monthly income
- Keep Debt/Income ratio (used by creditors to evaluate debt load) (gross monthly income divided by gross monthly expenses) at 36% or lower; 43% if applying for home loan
- Avoid payday loans and loans involving cash/check/income tax advances/car title
- If overloaded with debt, consider assistance to reduce debt

Develop Savings Plan

- Saving money helps pay unexpected expenses, avoid debt, pay for large purchases, obtain greater sense of financial freedom, and reduce stress.
- Automatic savings: set up bank account to automatically transfer funds from checking account into savings account monthly, and/or set up direct deposit to automatically pay 10% of each paycheck into savings account
- Put "extra" income: bonuses, income tax returns, etc., into savings
- Maintain emergency savings (at least 3-6 months of expenses) to address unplanned expenses
- DoD Savings Deposit Program: if deployed in designated area, you may invest up to \$10,000 of tax-free pay and receive 10% annual interest, compounded quarterly, for up to three months after return

Plan For Retirement

- Active duty members eligible for pension after 20 years of service; Reserve/National Guard after 20 "good" years
- Blended Retirement System includes service contributions, service matching contributions, and opportunities for continuation pay and pension
- Thrift Savings Plan is low-cost retirement savings plan element of BRS

Invest For The Long Term

- Take advantage of principle of compounding to beat inflation
- Divide 72 by the anticipated rate of return to determine the number of years to calculate how long it will take to double your money; divide 72 by the desired number of years to determine the needed rate of return
- Participate in Thrift Savings Plan

Take Advantage Of Tax Opportunities For Military Members

- Invest tax-free pay in TSP, IRA
- Use income tax return extension and tax payment deferral while serving in combat zone
- Claim residence in income tax-free state

Make Optimum Use Of Military Benefits

- Servicemembers Group Life Insurance (SGLI): low cost life insurance coverage for service members at 6.5 cents per \$1,000 of coverage/month or \$300/year for maximum \$400,000

- Family Servicemembers Group Life Insurance (FSGLI): up to \$100,000 in life insurance coverage for spouse for as low as \$54/year if under age 35; no cost for child dependents.
- Survivor Benefit Plan (SBP): provides retirees opportunity to leave portion of retired pay to survivors at reasonable cost; without SBP survivors of deceased retirees would not receive any of pension from the service.
- Montgomery GI Bill/Post-9/11 GI Bill : up to 36 months of benefits for education; members can transfer benefits to dependents
- VA Home Loan Program: home loan guaranty to service members, veterans, and eligible surviving spouses